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Proposed programme budget for the biennium 2006-2007

Financial viability of the United Nations Institute for Training and Research

Report of the Secretary-General

Summary

In section X of its resolution 59/276 of 23 December 2004, the General Assembly, while stressing the importance of maintaining the current level of the training programmes of the United Nations Institute for Training and Research (UNITAR), requested the Secretary-General to submit at the beginning of its sixtieth session, and prior to the introduction of the proposed programme budget for the biennium 2006-2007, a comprehensive report on all aspects of the financial situation of the Institute, including proposals which would address the long-term, sound and predictable funding of rent and maintenance costs.

In order to maintain and/or expand the current level of training programmes for international cooperation and multilateral diplomacy and provide for long-term, sound and predictable funding of rent and maintenance costs, it is reiterated that UNITAR could be provided with an annual subvention, not exceeding its annual rental, maintenance and other administrative costs, associated with conducting the core training programme for the previous year. The General Assembly may wish to consider the present report in the context of the proposed programme budget of the biennium 2006-2007.

* A/60/150.

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I. Introduction

1. In paragraphs 2 through 5 of section X of its resolution 59/276, the General Assembly:

(a) Stressed the importance of maintaining the current level of the training programmes of the United Nations Institute for Training and Research (UNITAR) and requested the Board of Trustees to make every effort to ensure that in 2005 the level of training programmes would be maintained;

(b) Stressed also the need for continued consideration of the issues related to the Institute's rent, rental rates and maintenance costs, taking into account its financial situation with a view to its expeditious resolution;

(c) Requested the Secretary-General to submit, as a priority, to the General Assembly at the beginning of its sixtieth session, prior to the introduction of the proposed programme budget for the biennium 2006-2007, a comprehensive report on all aspects of the financial situation of the Institute, including proposals that would address the long-term, sound and predictable funding of rent and maintenance costs;

(d) Decided to consider the outcome of its consideration of that report in the context of the proposed programme budget for the biennium 2006-2007.

2. The present report has been prepared in compliance with that resolution.

II. Background

3. The issue of the cost of rent and maintenance charged to UNITAR and its relation to the Institute's core training programmes for international cooperation and multilateral diplomacy has been considered by the General Assembly on an annual basis since 1997, when the Assembly, in its resolution 52/206, called upon the Secretary-General to explore all possible ways and means to provide additional facilities to the Institute for conducting programmes and training courses that were provided at no cost to States and to their representatives accredited to United Nations Offices in New York, Nairobi, Geneva and Vienna.

4. In response to the provisions of a number of resolutions regarding the rental and maintenance costs charged to the Institute, the Secretary-General reiterated that, taking into account the related provisions of General Assembly resolutions 41/213 and 47/227 and the fact that the United Nations regular budget should not have to bear any part of the rental expenses of bodies supported by extrabudgetary funds, he is not in a position to propose a waiver or reduction of the rental rates and maintenance costs charged to UNITAR without the express decision of the Assembly in this regard.

5. Consequently, in his report (A/58/544), submitted in response to the provisions of General Assembly resolution 56/208, the Secretary-General proposed that the Assembly consider, in the light of the training programme for international cooperation and multilateral diplomacy, an annual subvention of $165,630, in respect of its rental maintenance and other administrative costs, from the regular budget of the United Nations. Related amendments to paragraph 13 of article VIII of the statute of UNITAR, which states that no extra cost to the regular budget of the

United Nations may be incurred as a result of the utilization by the Institute of the general administrative personnel and financial services of the United Nations, were also proposed.

III. Existing arrangements for financing the activities of the United Nations Institute for Training and Research

6. In accordance with the statute of UNITAR, the expenses of the training programmes for international cooperation and multilateral diplomacy and their operating costs, as well as other administrative expenses for maintaining normal to day-to-day operations, including rental and maintenance costs, are covered by the Institute's General Fund. Other specialized training programmes, research and study projects, designed and conducted by the Institute for other United Nations bodies, specialized agencies, Member States and non-governmental organizations, are financed from the Special Purpose Grants Fund on a fully reimbursable basis, without resulting in any financial obligations to the General Fund. Special purpose grants shall cover, in addition to the full costs of implementing the project (direct costs), including administrative costs, an execution fee that should be determined by the Executive Director of the Institute on a case-by-case basis but should not be less than 13 per cent in each case (see General Assembly resolution 42/197, sect. I.C).

7. The UNITAR General Fund is financed from voluntary contributions made by Governments, intergovernmental organizations, foundations and other non-governmental sources, as well as from the programme support costs reimbursement income generated by expenditures of the Special Purpose Grants Fund. Owing to a declining level of contributions to the General Fund and an increase in the number and scope of special purpose grants, support costs reimbursement income has gradually become the major source of income for the General Fund.

IV. Financial situation of the United Nations Institute for Training and Research and related conclusions at the forty-third session of the Board of Trustees

8. During its forty-third session, held in Geneva on 26 and 27 April 2005, the Board of Trustees of UNITAR considered the financial situation of the Institute, discussed resolution 59/276 at length and submitted its conclusion, contained in paragraph 24 below, to the Secretary-General.

9. Despite the significant fund-raising efforts on the part of the Institute, the voluntary contributions by country to the General Fund over the last four years (see annex I) are still at a modest level, averaging a mere $350,000, or 17.5 per cent of the level during the 1970s and 1980s, an amount that is not sufficient to fully cover the costs of training for international cooperation and multilateral diplomacy. As a trend, voluntary contributions to the UNITAR General Fund have significantly declined over the period from 1965 to 2004 (see annexes II and III).

10. Owing to the expansion of the Special Purpose Grants and the consequent increase in programme support costs paid by the programmes to the General Fund, the general financial situation of the Institute has improved slightly: the excess of income over expenditure for the General Fund was over $400,000 as at

31 December 2004 (see annexes IV and V). This outcome is in contrast to the results from the past few years, which showed an excess of expenditure over income resulting in the reduction of the fund balance and consequently raised concerns regarding the future of the Institute.

11. Although the objective set by the Board in 1994, to bring the fund balance of the General Fund to at least $1,000,000, has been reached ($1,135,748 as at 31 December 2004), this does not mean that the General Fund has overcome its vulnerability. UNITAR should endeavour to maintain that level to guard against "lean periods" when funding may drop for various reasons. This is necessary and even vital, considering that UNITAR depends on voluntary contributions, with payments made throughout the year. Carryover is the only way to avoid a serious cash-flow crisis. In any case, the current excess of income is not sufficient to carry out, on a full-cost basis, the training courses that UNITAR is requested by the General Assembly to prepare and conduct, if additional funds for this purpose are not received.

12. The fund balance for the Special Purpose Grants Fund was $8,564,689 as at 31 December 2004. Although this balance appears significant and gives the impression of excess funds, these funds are in fact all earmarked for specific projects. All funding is paid in advance and some donors fund multi-year projects up front.

13. The actual positive balance of the General Fund results mainly from an increase in programme support income received from the Special Purpose Grants. However, this income should be primarily for covering administrative costs relating to special purpose grants, overall administration and management of the Institute and, ideally, fund other training programmes offered to representatives from Member States, which should be financed from voluntary contributions to the General Fund.

14. The recent improvement in the financial situation of UNITAR is also the result of strict management centred on three main axes:

(a) Continuous fund-raising with the Member States: this has produced positive results, even if they are still insufficient in comparison with the efforts put forth;

(b) Systematically charging the 13 per cent of programme support costs (overhead) to programmes grants whenever possible. The average rate of overhead reached more than 11 per cent in 2004;

(c) Supporting the growth of Special Purpose Grants programmes, which are an important source of financing for the General Fund through programme support costs.

15. Despite these developments in the financial situation, payments owed to the United Nations for rent maintenance and other services provided in 2003 and 2004 in the amount of $202,700 have not been disbursed (see annex VII).

V. Predictable funding of rent and maintenance cost and its relation to the core training programme for international cooperation and multilateral diplomacy

16. As indicated in paragraph 6 above, the expenses of the training programmes for international cooperation and multilateral diplomacy, as well as other administrative expenses for maintaining normal to day-to-day operations, including rental and maintenance costs, should be covered by the Institute's General Fund. Consequently, after the deduction of all administrative costs, including those pertaining to the overall administration and management of the Institute and rental and maintenance costs, the remaining balance should cover the training programme for international cooperation and diplomacy. If, as provided in General Assembly resolution 42/197, section I, paragraph 3, the core training programme, financed from the General Fund, is adjusted in the light of the financial resources available, there may not be additional resource requirements above the approved budget. However, if the core training programmes for international cooperation and multilateral diplomacy are maintained at the current level and/or expanded, the question of prioritizing expenditure objectives, taking into account the varying levels of contributions to the General Fund and of the special purpose grants support costs income, may arise, thus affecting other parts of the General Fund, namely administration and management expenses as well as rent and maintenance costs.

17. In this connection, it must be underlined that while the Special Purpose Grants Fund is reaching a satisfactory level and is on the increase, the General Fund, while slightly improved, remains very vulnerable and cannot ensure the predictable long-term funding of the core training programme offered by the Institute to diplomats. Given the present level of contributions to the General Fund, UNITAR cannot absorb its rent and maintenance costs and at the same time, maintain and/or expand its core training programmes. In this regard, the Board of Trustees, at its forty-third session, maintained its request to have the rental and maintenance costs, currently covered by the General Fund, borne by the regular budget of the United Nations.

18. In 2006-2007, the expected costs of the rental of office space for staff funded by the General Fund, including those working on the programme for international cooperation and multilateral diplomacy, as well as a related part of maintenance, shuttle, messenger and security and cleaning costs, would amount to $242,385. Annex VI shows the total 2006-2007 costs of rent and maintenance in Geneva and New York, estimated on the basis of the existing 2004-2005 rates.

19. It is expected that, in 2004-2005, the costs of the programme for international cooperation and multilateral diplomacy offered to diplomats and delegates accredited to the Organization in New York, Geneva and Vienna would amount to $675,000. UNITAR has also made a cost-assessment, assuming a diversification of the programmes in five venues: Nairobi (headquarters of the United Nations Environment Programme and the United Nations Human Settlements Programme) and four cities that host regional commissions, namely Addis Ababa, Bangkok, Beirut and Santiago. The assessment includes two one-week training workshops in each city per year. It is estimated that implementing the recommendation of diversifying venues would cost $300,000 per biennium (see annex VIII).

20. The UNITAR General Fund budget for the biennium 2004-2005 was approved in the amount of $2,300,000, including provisions for the core training programme

($675,000) and administrative expenses for maintaining normal to day-to-day operations in New York and Geneva ($1,625,000), including rent and maintenance costs in New York and Geneva ($420,500). It is expected that the final 2004-2005 expenditures would be within this approved level of $2,300,000. However, if, following the provisions of General Assembly resolution 59/252, training events organized by the Institute in 2005 are held in cities hosting regional commissions, additional requirements of approximately $150,000 per year could arise, which the Institute could not cover from within its existing resources.

21. In conclusion, although the overall financial situation of UNITAR has been improving, the continuing requests for the core training programme for international cooperation and multilateral diplomacy to be maintained at the current level and/or expanded to include other training events constitutes a challenge to the Institute's available resources. This is especially true given the low level of contributions to the General Fund and the possibility that the office space provided to UNITAR at subsidized rates at the Maison internationale de l'environnement in Geneva may not be available in the event that more environmental programmes need space in Geneva in the future.

22. In such a situation, subvention from the United Nations regular budget may be necessary to: (a) maintain the training programme for international cooperation and multilateral diplomacy at its present level; (b) diversify the venues of the events organized by the Institute and to include the cities hosting regional commissions in the developing regions, as proposed by the General Assembly in its resolution 59/252; and (c) address to a larger extent the numerous requests for training and capacity-building received from developing countries and countries with economies in transition.

23. The Secretary-General therefore reiterates the position, as expressed in his previous report on UNITAR (A/58/544), that the General Assembly should consider, in the light of the training programme for international cooperation and multilateral diplomacy, an annual subvention to UNITAR from the regular budget of the United Nations. The subvention should be equivalent to the amount of annual rental, maintenance and other administrative costs associated with conducting the core training programme for the previous year. The subvention should be subject to review by the Advisory Committee on Administrative and Budgetary Questions in the context of its usual consideration of the UNITAR budget for the next financial period.

VI. Conclusion

24. **The General Assembly may wish to consider the present report in the context of the proposed programme budget for the biennium 2006-2007.**

Annex I

Contributions to the General Fund of the United Nations Institute for Training and Research: 2001-2004[a]

	2001	*2002*	*2003*	*2004*	*2004 (pledge for 2005)*
Algeria	5 000	5 000	5 000	5 000	5 000
Austria				24 876	
Bahamas	3 000		6 000	3 000	
Botswana			2 442		
Brazil			3 000		
Chile	5 000	5 000	1 000	1 000	
China	10 000	10 000	—	10 000	
Cyprus	2 400	2 000	3 748	4 500	
Czech Republic	12 694	16 288	18 481	38 794	
Egypt	5 975	6 000	—	6 982	
France	27 274	22 299	35 336	36 101	
Ghana	5 000	—		10 000	
Greece	6 600	6 600	6 600	6 600	
Holy See	1 000		2 000	1 000	
Iraq			1 982		
Indonesia				5 000	
Israel		5 000	5 000	5 000	
Japan	77 000	77 000	69 235	50 000	
Kuwait	40 000	20 000	20 000		20 000
Libyan Arab Jamahiriya			7 299		
Malta	700	700	772	700	
Marshall Islands				1 500	
Mauritius	1 214	1 200		1 200	
Mexico	5 000	4 856		10 000	
Monaco	4 000		3 000	4 070	
Morocco		4 000	4 000		3 000
Namibia				1 000	1 000
Nigeria	55 936		18 000	13 328	
Oman		5 000			
Pakistan			10 000	10 000	
Philippines			456	2 081	
Republic of Korea	19 975		10 000		
Saudi Arabia			10 000	10 000	
South Africa				22 242	
Slovenia	580				

	2001	*2002*	*2003*	*2004*	*2004 (pledge for 2005)*
Sri Lanka	975	980			
Switzerland	57 788	55 760	69 408	80 078	
Thailand		2 000	2 000	2 000	2 000
Tunisia	3 383	1 843		3 850	
Turkey				3 000	
United States of America				50 000	
Yemen	2 000			5 967	
Subtotal	**352 494**	**251 526**	**314 759**	**428 869**	**32 607**
Public	30 849	185			
Total	**383 343**	**251 711**	**314 759**	**428 869**	**32 607**
Pledges receivable as at 31 December 2004				32 607	

[a] Contributions are recorded in United States dollars.

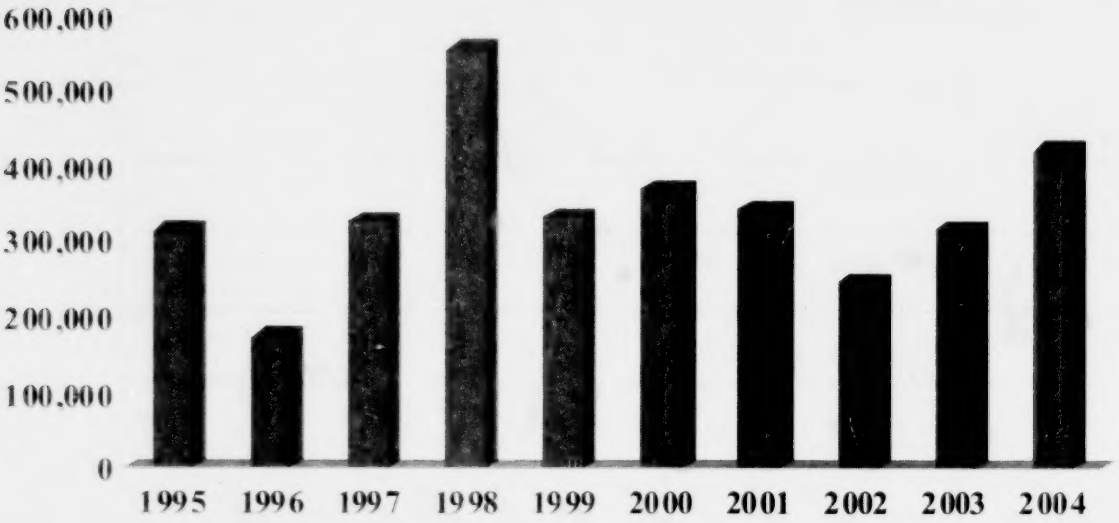
Annex II

Voluntary contributions to the General Fund of the United Nations Institute for Training and Research: 1965-2004[a]

[a] Contributions are recorded in United States dollars.

Annex III

Contributions to the General Fund of the United Nations Institute for Training and Research: 1995-2004[a]



[a] Contributions are recorded in United States dollars.

Annex IV

Summary of all funds of the United Nations Institute for Training and Research: statement of income and expenditure and changes in reserves and fund balances for the 12-month period of the biennium 2004-2005 ending on 31 December 2004[a]

		Other activities				
	General Fund	*Special Purpose Grants Fund*	*Activities financed by the United Nations Development Programme*	*All funds eliminations*	*Total 2004*	*Total 2002*
Income:						
Voluntary contributions	461 476	12 136 054	—	—	12 597 530	6 424 044
Funds received under inter-organizational arrangements	—	—	349 148	—	349 148	353 756
Programme support income	1 035 491	—	—	(1 035 491)	—	—
Interest income	25 286	194 724	—	—	220 010	232 475
Other/miscellaneous income	16 193	33 578	—	—	49 771	30 804
Total income	**1 538 446**	**12 364 356**	**349 148**	**(1 035 491)**	**13 216 459**	**7 041 079**
Expenditure:						
Staff and other personnel costs	861 422	5 329 143	188 378	—	6 378 943	4 236 124
Travel	36 034	744 389	47 204	—	827 627	639 590
Contractual services	848	390 301	55 753	—	446 902	460 914
Operating expenses	218 757	328 700	11 682	—	559 139	239 676
Acquisitions	9 552	120 147	11 272	—	140 971	112 367
Other	1 655	2 004 123	8 354	—	2 014 132	921 798
Total direct expenditure	**1 128 268**	**8 916 803**	**322 643**	**—**	**10 367 714**	**6 610 469**
Programme support costs	—	1 008 986	26 505	(1 035 491)	—	—
Total expenditure	**1 128 268**	**9 925 789**	**349 148**	**(1 035 491)**	**10 367 714**	**6 610 469**

		Other activities				
	General Fund	*Special Purpose Grants Fund*	*Activities financed by the United Nations Development Programme*	*All funds eliminations*	*Total 2004*	*Total 2002*
Excess (shortfall) of income over expenditure	410 178	2 438 567	—	—	2 848 745	430 610
Prior period adjustments	(9 785)	10 785	—	—	1 000	—
Net excess (shortfall) of income over expenditure	**400 393**	**2 449 352**	—	—	**2 849 745**	**430 610**
Refund to donors	—	(947)	—	—	(947)	(8 796)
Provisional savings on or cancellation of prior periods' obligations	108 894	118 683	—	—	227 577	150 216
Reserves and fund balances, beginning of period	626 461	5 997 601	—	—	6 624 062	5 255 411
Reserves and fund balances, end of period	**1 135 748**	**8 564 689**	—	—	**9 700 437**	**5 827 441**

[a] All amounts listed are in United States dollars.

Annex V

Summary of all funds of the United Nations Institute for Training and Research: statement of assets, liabilities and reserves and fund balances as at 31 December 2004*

		Other activities			
	General Fund	*Special Purpose Grants Fund*	*Activities financed by the United Nations Development Programme*	*Total 2004*	*Total 2002*
Assets					
Cash and term deposits	1 225 335	9 761 761	—	10 987 096	6 140 347
Pledged contributions receivable	32 607	—	—	32 607	16 000
Due from United Nations General Fund	—	—	1 078 187	1 078 187	135 176
Receivable from funding source	—	—	—	—	94 780
Other accounts receivable	8 127	210 239	—	218 366	104 529
Total assets	**1 266 069**	**9 972 000**	**1 078 187**	**12 316 256**	**6 490 832**
Liabilities					
Unliquidated obligations	113 844	983 823	25 704	1 123 371	578 340
Due to United Nations General Fund	16 477	149 278	—	165 755	20 258
Payable to funding source	—	—	1 052 480	1 052 480	—
Other accounts payable	—	274 210	3	274 213	64 793
Total liabilities	**130 321**	**1 407 311**	**1 078 187**	**2 615 819**	**663 391**
Reserves and fund balances					
Operating reserves	150 000	—	—	150 000	137 366
Balances relating to projects funded by donors	—	8 564 689	—	8 564 689	5 164 323
Cumulative surplus (deficit)	985 748	—	—	985 748	525 552
Total reserves and fund balances	**1 135 748**	**8 564 689**	**—**	**9 700 437**	**5 827 441**
Total liabilities and reserves and fund balances	**1 266 069**	**9 972 000**	**1 078 187**	**12 316 256**	**6 490 832**

* All amounts listed are in United States dollars.

Annex VI

Estimated rental costs to be paid by the United Nations Institute for Training and Research during the biennium 2006-2007[a]

		Geneva		
Rent	*New York*	*Building 1*	*Building 2*	*Total*
Floor area, square metres	83	815	429	1 327
Annual cost of rent and charges per square metre	780.5	127	259	
Total rent and charges	129 564	207 325	222 026	558 915
Electricity		14 042	16 391	30 434
Shuttle[b]		13 334		13 334
Messenger and security[c]		44 806	23 585	68 391
Travel agency rental[b]		1 666		1 666
Cleaning[b]		42 846	24 538	67 383
Total rental costs	**129 564**	**324 018**	**286 540**	**740 123**
Total office rental costs Geneva and New York				**740 123**
Cost of office space distributed by fund:				
Offices for staff working in New York funded by the General Fund				129 564
Offices for staff working in Geneva funded by the General Fund (8.5[d] offices of 46 offices)				112 821
Total rental costs for staff funded by the General Fund				**242 385**
Offices for staff working on Special Purpose Grant Fund				497 748
				740 123

Note: Inflation and currency changes and building 1 costs, which are due to increase in 2008, have not been taken into account. UNITAR has rented offices in building 1 since 1998. In May 2004, UNITAR rented additional space in the new building, building 2.

[a] All amounts listed are in United States dollars.

[b] Estimation based on 2004 actual charges. No charge for building 2 for shuttle and travel agency rental as the United Nations Office at Geneva have apportioned the charges based on number of staff.

[c] Estimation based on 2004 actual charges for building 1. As charge by the United Nations Office at Geneva is apportioned in accordance to the square metres occupied, the estimation for building 2 is made pro ratio.

[d] This includes the offices of the Executive Director.

Annex VII

Payments of the United Nations Institute for Training and Research owed to the United Nations: 2003-2004[a]

Unpaid charges		*2003*	*2004*	*Total*
Rent — New York	United Nations Headquarters by inter-office voucher	64 782	64 782	129 564
Shuttle[b]	United Nations Office at Geneva	4 529	6 667	11 196
Messenger/security	United Nations Office at Geneva	20 000	22 403	42 403
Travel agency rental[b]	United Nations Office at Geneva	317	833	1 150
Office cleaning	United Nations Office at Geneva	18 387		18 387
		108 015	**94 685**	**202 700**

Note: Since 2004, cleaning charges have been invoiced to UNITAR directly by the Fondation immobilière pour les organisations internationales. 2003 charges were obligated in the biennium 2002-2003. This obligation expired 31/12/2004 and no further provision has been made. 2004 unpaid charges have been obligated in 2004.

[a] All amounts listed are in United States dollars.

[b] Invoice in Swiss francs in 2004; Dec. 2004 exchange rate used: $1 = 1.14 Swiss francs.

Annex VIII

Training programmes provided by the United Nations Institute for Training and Research to diplomats and delegates accredited to the United Nations[a]

Estimated costs in accordance with the approved budget, biennium 2004-2005	
Geneva	305 000
New York	325 000
Vienna	45 000
Total costs	**675 000**
Expected additional costs:	
Nairobi/Beirut/Santiago/Addis Ababa/Bangkok[b]	300 000
Total expected cost per biennium	**975 000**

[a] All amounts listed are in United States dollars.

[b] Costs estimated at $60,000 per venue to include two resource people and two courses per year.